MONTANA BOARD OF HOUSING

ANNUAL REPORT 1990

STAN STEPHENS, GOVERNOR

MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MESSAGE FROM THE CHAIRMAN

On behalf of the Board, I am pleased to present our fourteenth Annual Report for the year ended June 30, 1990. The following pages will summarize the Board's programs and accomplishments during the past year.

Conventional home mortgage rates during the past year ranged from 10% to 11%, during this period the Board assisted 1,350 borrowers with the financing of their home purchases. Over the past fourteen years, the Board's single and multifamily programs have assisted over 16,000 persons or families to obtain affordable housing.

A home continues to be the largest single purchase most families will make. Providing an opportunity for those who otherwise cannot afford a home will continue to be the primary function of the Board. Changes in federal housing policy, high mortgage interest rates in combination with restrictive loan underwriting and an increase in down payment and closing costs have had the effect of limiting the opportunities for lower income Montanans to obtain safe, decent and affordable housing. These changes have increased the challenge to state and local resources to provide housing opportunities traditionally handled by the federal government.

The Board in the coming decade will need to remain alert to housing trends and try to predict the needs of Montanans and then find innovative ways of meeting those needs using its multifamily and single family program resources.

Tom Mather

Tom Mather
Chairman

TABLE OF CONTENTS

THE BOARD

The Montana Board of Housing was created by the Montana Housing Act of 1975. The Board is an agency of the State and operates within the Department of Commerce for administrative purposes. Under the Housing Act the Board does not receive appropriations from the State's general fund for administrative or operating expenses. The Board programs are funded through, either the collection of administrative fees or the sale of tax-exempt bonds.

The Housing Act of 1975 empowered the Board to issue bonds and notes up to a maximum principal amount outstanding of $975,000,000 for the purpose of assisting lower income persons and families in obtaining safe and sanitary housing within the State.

The powers of the Board are vested in a seven member Board, who are appointed by the Governor, subject to the confirmation of the State Senate. The majority of the board members' terms coincide with the four-year term of the Governor; the remaining board members serve four year terms which expire in the middle of the Governor's term. The Chairman of the Board is appointed by the Governor and other officers of the Board are elected by the board members. Each board member serves until his or her successor is appointed and confirmed by the State Senate.

1990 BOARD MEMBERS

Tom Mather, Chairman
Realtor/Builder
Tom Mather & Associates Realty Company, Great Falls
Term expires: January, 1993

Mike McKee, Vice Chairman
President
First Federal Savings and Loan Association, Hamilton
Term expires: January, 1991

Brad Walterskirchen, Secretary
President
Heritage Bank, F.S.B., Great Falls,
Term expires: January, 1991

Russell Dahl
Northern Air Flying Services, Glasgow
Term expires: January, 1993

Joe Gerbase
Attorney
Anderson, Brown, Gerbase, Cebull, Fulton, Harmon & Ross P.C., Billings
Term expires: January, 1993

George McCallum
Real Estate Broker
McCallum Realty, Plains
Term expires: January, 1993

Howard Rosenleaf
Executive Director
Project Challenge, Kalispell
Term expires: January 1991

1990 MONTANA BOARD OF HOUSING STAFF

Richard A. Kain
Administrator

Janet A. Kunz - Program Assistant
Mary Walker - Secretary

ACCOUNTING STAFF:
Kelly Peters, Comptroller
Judy Gillespie, Accounting Specialist
Sue Mannix, Accounting Specialist II
Judy Broadwater, Accounting Tech
Tonja Chernick, Accounting Tech
Melody Johnson, Accounting Tech

PROGRAM STAFF:
David J. Haviland, Single Family Program Officer
Jeannene Maas, Program Specialist
Meredith McGuire, Program Specialist
Nita Routzahn, Program Assistant

1990 LEGAL AND PROFESSIONAL SERVICES

BOARD GENERAL COUNSEL:
Luxan and Murfitt
Helena, MT

INDEPENDENT AUDITOR:
Junkermier, Clark, Campanella, Stevens, P.C.
Helena, MT

BOARD BOND COUNSEL:
Kutak, Rock and Campbell
Denver, CO

INVESTMENT BANKING TEAM:
Goldman, Sachs and Co.
New York, NY
D. A. Davidson and Co. Inc.
Great Falls, MT
Merrill Lynch Capital Markets
New York, NY
Piper, Jaffray and Hopwood Inc.
Minneapolis, MN

SINGLE FAMILY PROGRAMS

The Board's purpose is to provide safe, sanitary and affordable housing for lower income Montana individuals and families. The Board has been able to accomplish this purpose through three home ownership programs - the Single Family Mortgage Program, the Recycled Mortgage Purchase Program, and the Mortgage Credit Certificate Program. The administrative and operating expenses for these programs are generated through, either the collection of fees paid with each program or the sale of tax-exempt bonds.

SINGLE FAMILY MORTGAGE PROGRAM

The home financing program is exclusively supported from the sale of tax-exempt mortgage revenue bonds issued periodically by the Board of Housing. The tax-exempt status allows the agency to pass along the interest savings to lower income persons and families in the form of low-interest home loans.

Mortgage loan applications are originated and processed in compliance with either FHA or VA underwriting criteria by Board approved Montana real estate lenders. The person or family reserve mortgage funds through the approved lender on a first-come first-serve basis with the Board.

The FHA insured or VA guaranteed mortgage is generally made for a term of 30 years. The mortgage interest rate is determined by the price the Board must pay to investors on the tax-exempt bonds.

Each person or family in addition to qualifying under the FHA or VA requirements must also meet certain program loan requirements and Federal Eligibility Requirements. Generally, the requirements for each person are as follows:

- the home is to be owner-occupied with limited business use of the property;
- the purchaser is to be a first-time home buyer except for certain targeted areas;
- the purchase price or construction cost of the home may not exceed $75,000;
- family income may not exceed income limitations as established by the Board;
- the refinancing of an existing home loan is not permitted.

During the three year period ending June 30, 1990 five bond issues were completed under the Single Family Mortgage Program. These five bond issues represent $117,800,000 in mortgage funds, that assisted 2,601 Montanans purchase a home. See pages 10 and 11 for further information.

RECYCLED SINGLE FAMILY MORTGAGE PROGRAM

The Board has made additional mortgage funds available through the recycling of mortgage prepayments and other funds held under prior bond issues of the Single Family Mortgage Program. The Board's goal with the recycled funds is to assist those lower income persons and families which do not have the financial capabilities to purchase a safe and sanitary home through other Single Family Programs.

NEIGHBORHOOD HOUSING SERVICES

The Board has committed $2,250,000 of recycled mortgage funds to Neighborhood Housing Services, Inc. (NHS) of Great Falls as of June 30, 1990. The 45 home loans originated to date have been for 30 year terms with a mortgage interest rate of 6-7/8% or 7-3/4%, the homes are located within the original townsite of Great Falls.

Characteristics of the average mortgage:

Mortgage Amount - $39,000
Household Income - $19,300
Household Size - 2.57 persons

Twenty-one of the 45 loans have gone to either a single male, a single female or a single parent.

The Board conditionally committed an additional $1,000,000 of 7-3/4% mortgage funds to the NHS, in June 1990. These mortgage funds will be committed upon NHS obtaining a $50,000 grant from the Federal Home Loan Bank of Seattle's Affordable Housing Program. The grant funds will assist individuals and families with down payments and closing costs. General eligibility requirements will be as follows:

- maximum household income at or below 80% of the state median income or $23,850;
- purchaser to be either a first-time homebuyer, single parent or disabled with liquid assets less than $3,000;
- maximum purchase price for existing homes - $55,000; for new homes - $60,000;
- maximum down payment and closing cost assistance of $2,500 per household.

JOINT VENTURE FOR AFFORDABLE HOUSING

The Joint Venture for Affordable Housing (JVAH) Program resulted in the Board recycling $769,300 of 6-7/8% mortgage funds for new construction in the Hillview Heights subdivision of Missoula. The JVAH Program was a significant step toward lowering housing costs and making a home affordable for lower income single parents, disabled and first-time home buyers. The program required the cooperation between the builder, City of Missoula, the Department of Housing and Urban Development and the Board to accomplish its goal to assist the lower income. This program resulted in 17 new two and three bedroom homes being constructed at a price to the purchaser of $45,800. The average household income for the families served was $19,300.

MORTGAGE CREDIT CERTIFICATE PROGRAM

The Mortgage Credit Certificate Program was implemented by the Board July, 1987 as another mechanism to assist lower income persons and families in the purchase of a home. Under the MCC Program, the Board issues certificates to eligible home buyers which qualifies them for a federal tax credit based on the interest paid on their home loan. This provides the home buyer with more disposable income to afford their monthly mortgage payments. The annual tax credit is equal to 20% of the annual interest paid on their mortgage loan. The remaining 80% of the interest paid continues to be eligible as an itemized deduction.

The Board works with local real estate lenders to make the MCC available to borrowers, the Board neither purchases the loans, nor provides mortgage funds to the lender. Lenders in the MCC program process the loan applications, establish the mortgage interest rate and set the underwriting requirements. MCC eligibility requirements are generally the same as the Single Family Mortgage Program (refer to page three).

The Board's first MCC program was implemented in July 1987. The Board converted $40,000,000 in bond authority for authority to issue $10,000,000 in Mortgage Credit Certificates. This program was fully issued in December 1988.

The second MCC program start-up date was August 1989. The Board converted $60,000,000 in bond authority in December, 1988 to issue $15,000,000 in Mortgage Credit Certificates. The authority to issue certificates under the second MCC program is expected to fund the program through the December 31, 1990 expiration date. The MCC Programs have assisted 1535 persons and families in obtaining over $75 million in mortgages for their purchase of a home. Table A is a profile of the certificate holders and the homes they purchased.

TABLE A
MCC PROGRAM PROFILE

	MCC
% Existing Homes	98%
% New Homes	2%
Average Purchase Price	$49,600
Average Loan Amount	48,600
Average Household Income	26,150
MCC issued by Loan Type:	
FHA	80%
VA	15%
Conventional	5%

MULTIFAMILY PROGRAMS

The Board has financed or assisted in the financing of 1,045 multifamily housing units through June 30, 1990 in the State of Montana. Assistance in the development and retention of affordable multifamily units for lower income Montanans has been accomplished through the Multifamily Bond Program and the Low Income Housing Tax Credit Program.

MULTIFAMILY BOND PROGRAM

As of June 30, 1990, through its various programs, the Board has financed 668 multifamily housing units in the State. The Board has issued multifamily bonds and notes aggregating an initial principal amount of $24,410,000 in four series consisting of three parity issues under the Board's 1978 Multifamily Indenture and one construction loan note under a 1980 Indenture. All Mortgage or Construction Loans financed under the Multifamily Program are or were insured by FHA. Bond and note proceeds were used to provide construction financing and to purchase permanent multifamily mortgage loans in the State for persons and families of lower income.

All multifamily projects of the Board are insured by the Federal Housing Administration of the U.S. Department of Housing and Urban Development and 100% of the occupants of these projects receive rent subsidies under the HUD Section 8 program.

The Housing Management Division of HUD requires an annual audit by an independent C.P.A. on all project loans insured by the FHA. This audit encompasses all aspects of mortgage debt including, but not limited to cash inflow and outflow, escrow accounts, reserves for replacement and surplus cash. In addition, FHA requires an annual report of occupancy under the terms of the Annual Contributions Contract for all Section 8 assisted projects.

Table B below is a Summary of Multifamily projects:

TABLE B

SUMMARY OF MULTIFAMILY BOND PROGRAMS

Series and Project:	Location	Units	Elderly (E) or Family (F)	Original Principal Amount	Construction Loan Rate	Permanent Mortgage Loan Rate
1978 Series A:						
Clark Fork Manor	Missoula	134	E	$4,628,000	8.0%	7.0%
1979 Series A:						
Crestwood Inn	Sidney	72	E	2,188,500	9.0%	7.5%
Silver Bow Village	Butte	60	F	1,925,000	8.5%	7.5%
Broadview Manor	Great Falls	20	F	713,200	8.5%	7.5%
Oakwood Village	Havre	60	F	1,793,600	8.5%	7.5%
The Elmwoods	Great Falls	18	F	576,900	8.5%	7.5%
		230		7,197,200		
1982 Series A:						
Grand View Place	Missoula	48	F	1,695,200	12.0%	12.0%
Other:						
Miles Building	Livingston	40	F	1,081,885	14.5%	NA
Cut Bank Hotel	Cut Bank	20	E	525,400	10.0%	11.0%
		60		1,607,285		
1980 Series A Construction Loan Notes:						
Cedar View	Malta	32	F	1,269,900	11.0%	NA
Chair III	Whitefish	16	F	618,400	11.0%	NA
El Dorita Village	Kalispell	36	F	1,092,000	11.0%	NA
Rose Park Plaza	Billings	112	F	3,222,100	11.0%	NA
		196		6,202,400		
		668		$21,330,085		

LOW INCOME HOUSING TAX CREDIT

The Low Income Housing Tax Credit was established by Congress in the Tax Reform Act of 1986, and was initially a three year program (1987, 1988 and 1989). It is intended to provide for the retention, rehabilitation and construction of rental housing for low income individuals and families. The MBOH implemented its program in 1987, and during the first three years of its operation, has assisted in the provision of 377 low income rental units in Montana with $1,175,000 of Housing Tax Credits.

The Omnibus Budget Reconciliation Act of 1989 extended the Low Income Housing Tax Credit for one year, to December 31, 1990, and requires the appropriate administering agencies (in this case, MBOH) to develop a Qualified Allocation Plan defining the process by which it will distribute the Low Income Housing Tax Credits to low income rental housing developments in Montana.

The final Qualified Allocation Plan for administration and distribution of the 1990 Low Income Housing Tax Credits was approved by the Board on May 23, 1990, and confirmed by the Governor of Montana, Stan Stephens, on June 6, 1990. The Board will make available its authorized volume cap of $755,630 in credit authority for developments selected for allocation under this plan. Those developments selected will be evaluated to determine the amount of credit allocated to them, as the federal legislation requires that the administering agency allocate only the amount of credit it determines necessary to the financial feasibility of the development.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Many senior citizens in Montana own their own homes, and have little or no remaining debt on the home. Many of these homeowners are persons of lower income who would benefit from an additional income source from use of equity in their homes. Reverse annuity mortgage loans will enable senior homeowners to provide more substantially for their own in-home support and specialized care. The 1989 session of the Montana Legislature authorized the Board of Housing to establish a Reverse Annuity Mortgage Loan Program (RAM) for low income senior homeowners.

The Board plans implementing a RAM pilot program in late October or early November, 1990 with an initial funding commitment of $730,300. Under the pilot program 75 to 100 loans will be originated statewide at a 7 percent interest rate. The proceeds will be advanced monthly to the homeowner over a ten year term. Lump-sum advances up to $3,100 will be available at loan closing.

The RAM pilot program will be available to senior citizens meeting the following general eligibility requirements:

Age Requirements: All borrowers to be 68 years of age or older.

Income Limit: The Borrower's Annual Family Income must not exceed the following:

1 person household	$ 9,500
2 person household	10,900
3 person household and up	12,250

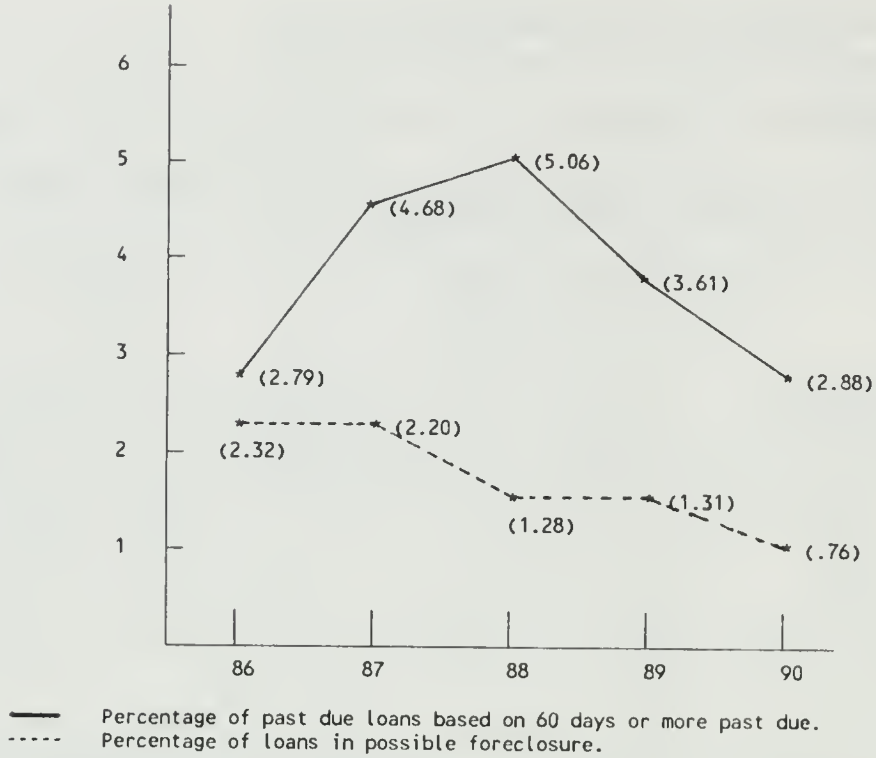
Property Eligibility: The home must be located in Montana. The borrowers must be the owner and occupant of a single-family dwelling that is unencumbered by any prior mortgage, lien or pledge (up to $2,500 may be advanced to pay encumbrances on the title or for needed repairs to the home). A single-family dwelling means a one-to-four-family living unit, excluding a condominium. The single-family dwelling must meet minimum FHA property standards as determined by an FHA appraisal.

Loan Amount: The loan amounts may range from a minimum of $15,000 to a maximum of $40,000. The maximum loan amount would be determined based on 80% of the FHA determined property value.

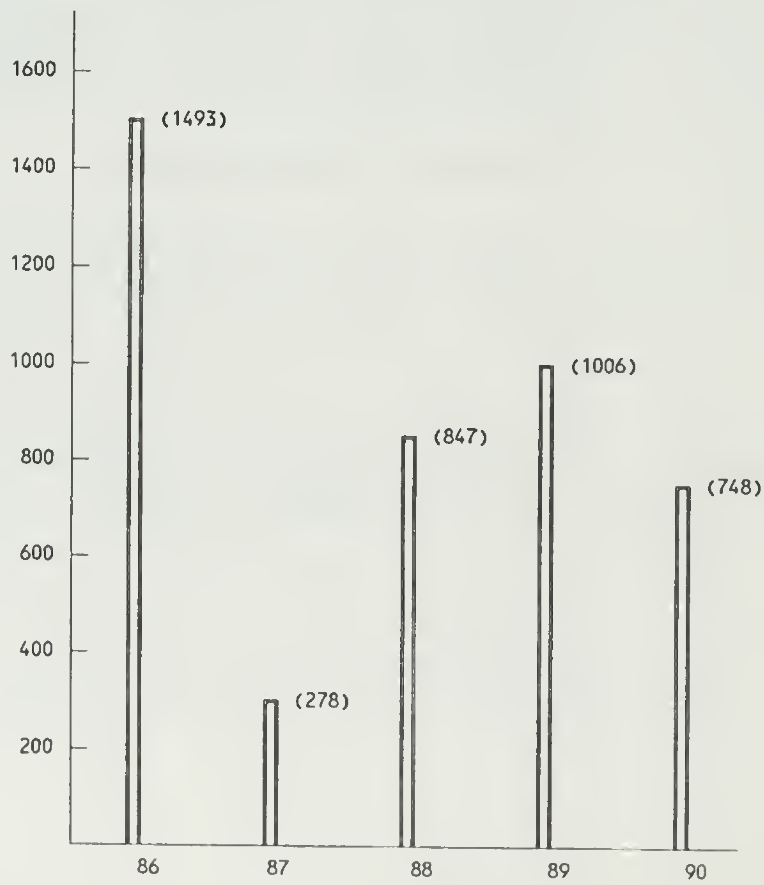
Counseling: Potential borrowers must complete a reverse annuity mortgage counseling program in order to submit an application. The counseling network is provided through the Montana Aging Services Network.

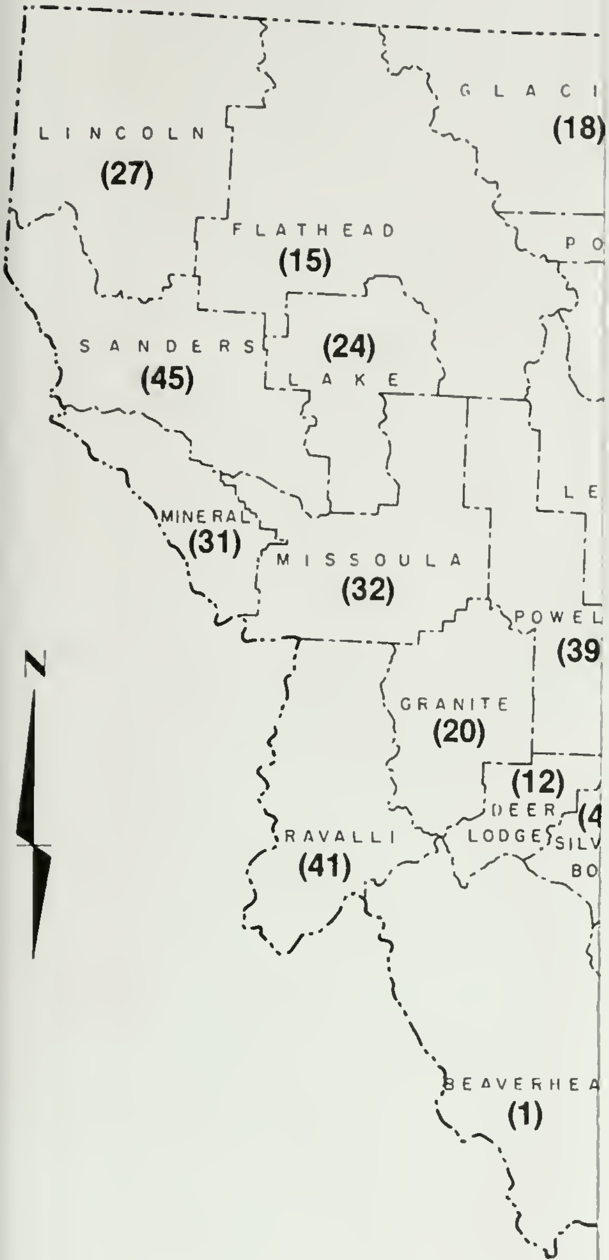
Further information on our programs may be obtained by writing: Montana Board of Housing, 2001 11th Avenue, Helena, MT 59620, or by phoning (406)444-3040.

MBOH PAST DUE LOANS AND LOANS IN POSSIBLE FORECLOSURE BY FISCAL YEAR END



MBOH MORTGAGES PURCHASED BY FISCAL YEAR

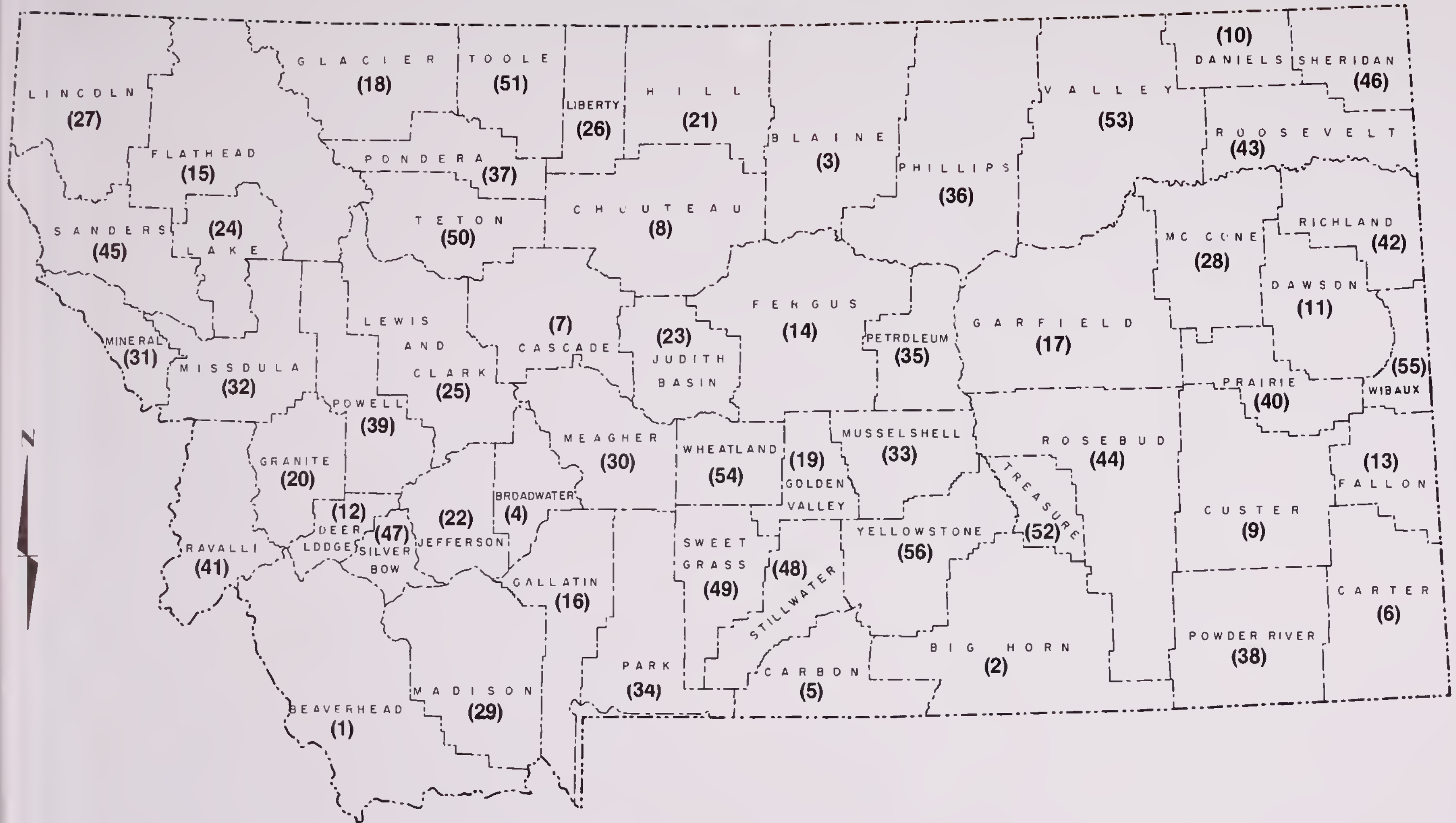




County	For Period 4/1/77 thru 6/ # of loans	Pri Pur
1. Beaverhead	67	$ 2,7
2. Big Horn	42	1,72
3. Blaine	49	1,76
4. Broadwater	36	1,47
5. Carbon	48	1,97
6. Carter	1	1
7. Cascade	2,488	109,47
8. Choteau	17	61
9. Custer	340	12,16
10. Daniels	1	$ 3

County	For Period 4/1/77 thru 6/30/90 # of loans	Principal Purchase	For Period 7/1/87 thru 6/30/90 # of loans	Principal Purchase
21. Hill	293	$ 12,294,549	65	2,882,253
22. Jefferson	89	4,102,525	12	646,423
23. Judith Basin	4	160,350	0	0
24. Lake	196	7,881,633	22	969,509
25. Lewis & Clark	1,100	48,020,190	179	8,408,842
26. Liberty	5	172,293	2	54,300
27. Lincoln	140	5,452,262	21	936,098
28. McCone	12	522,524	1	30,000
29. Madison	36	1,591,276	7	295,003
30. Meagher	33	1,110,561	1	44,634
31. Mineral	55	2,187,626	8	303,370
32. Missoula	2,052	101,179,151	424	21,434,715
33. Musselshell	16	648,826	5	180,770
34. Park	151	5,291,283	36	1,270,330
35. Petroleum	1	19,493	0	0
36. Phillips	20	841,456	1	50,700
37. Pondera	53	1,840,086	18	606,492
38. Powder River	5	178,893	0	0
39. Powell	58	2,132,319	5	235,074
40. Prairie	4	177,509	0	0
41. Ravalli	160	7,019,967	39	1,768,064
42. Richland	201	8,760,800	34	1,213,114
43. Roosevelt	67	2,766,674	13	465,005
44. Rosebud	33	1,527,193	3	65,435
45. Sanders	22	895,587	4	184,811
46. Sheridan	5	167,063	3	84,800
47. Silver Bow	505	16,952,091	98	3,669,122
48. Stillwater	43	1,924,883	7	310,536
49. Sweetgrass	11	442,162	1	33,500
50. Teton	23	859,116	3	130,877
51. Toole	44	1,505,313	16	542,873
52. Treasure	0	0	0	0
53. Valley	79	3,008,109	11	337,050
54. Wheatland	7	222,866	1	46,170
55. Wibaux	2	37,492	1	9,893
56. Yellowstone	3,742	184,029,105	594	25,771,032
STATE TOTAL	14,717	$665,275,844	2,601	$117,790,812

SINGLE FAMILY MORTGAGE PROGRAM
ORIGINAL PRINCIPAL BALANCE AND NUMBER OF MORTGAGE LOANS PURCHASED BY COUNTY



County	For Period 4/1/77 thru 6/30/90 # of loans	Principal Purchase	For Period 7/1/87 thru 6/30/90 # of loans	Principal Purchase
1. Beaverhead	67	$ 2,736,921	13	$ 597,310
2. Big Horn	42	1,723,147	2	55,550
3. Blaine	49	1,761,048	7	242,562
4. Broadwater	36	1,476,392	2	83,100
5. Carbon	48	1,978,623	13	527,292
6. Carter	1	18,000	0	0
7. Cascade	2,488	109,472,756	483	23,522,934
8. Choteau	17	610,676	4	111,416
9. Custer	340	12,160,728	33	923,700
10. Daniels	1	$ 30,702	0	$ 0

County	For Period 4/1/77 thru 6/30/90 # of loans	Principal Purchase	For Period 7/1/87 thru 6/30/90 # of loans	Principal Purchase
11. Dawson	212	$ 8,349,567	24	$ 689,375
12. Deer Lodge	120	3,599,325	22	713,630
13. Fallon	37	1,436,819	2	35,300
14. Fergus	108	3,603,027	13	491,183
15. Flathead	1,130	54,487,631	278	13,418,708
16. Gallatin	683	32,968,434	63	3,112,858
17. Garfield	3	80,514	0	0
18. Glacier	60	2,567,242	4	166,330
19. Golden Valley	3	109,387	1	40,000
20. Granite	5	$ 181,679	2	$ 77,819

County	For Period 4/1/77 thru 6/30/90 # of loans	Principal Purchase	For Period 7/1/87 thru 6/30/90 # of loans	Principal Purchase
21. Hill	293	$ 12,294,549	65	2,882,253
22. Jefferson	89	4,102,525	12	646,423
23. Judith Basin	4	160,350	0	0
24. Lake	196	7,881,633	22	969,509
25. Lewis & Clark	1,100	48,020,190	179	8,408,842
26. Liberty	5	172,293	2	54,300
27. Lincoln	140	5,452,262	21	936,098
28. McCone	12	522,524	1	30,000
29. Madison	36	1,591,276	7	295,003
30. Meagher	33	1,110,561	1	44,634
31. Mineral	55	2,187,626	8	303,370
32. Missoula	2,052	101,179,151	424	21,434,715
33. Musselshell	16	648,826	5	180,770
34. Park	151	5,291,283	36	1,270,330
35. Petroleum	1	19,493	0	0
36. Phillips	20	841,456	1	50,700
37. Pondera	53	1,840,086	18	606,492
38. Powder River	5	178,893	0	0
39. Powell	58	2,132,319	5	235,074
40. Prairie	4	177,509	0	0
41. Ravalli	160	7,019,967	39	1,768,064
42. Richland	201	8,760,800	34	1,213,114
43. Roosevelt	67	2,766,674	13	465,005
44. Rosebud	33	1,527,193	3	65,435
45. Sanders	22	895,587	4	184,811
46. Sheridan	5	167,063	3	84,800
47. Silver Bow	505	16,952,091	98	3,669,122
48. Stillwater	43	1,924,883	7	310,536
49. Sweetgrass	11	442,162	1	33,500
50. Teton	23	859,116	3	130,877
51. Toole	44	1,505,313	16	542,873
52. Treasure	0	0	0	0
53. Valley	79	3,008,109	11	337,050
54. Wheatland	7	222,866	1	46,170
55. Wibaux	2	37,492	1	9,893
56. Yellowstone	3,742	184,029,105	594	25,771,032
STATE TOTAL	14,717	$665,275,844	2,601	$117,790,812

SINGLE FAMILY MORTGAGE PROGRAM
ORIGINAL PRINCIPAL BALANCE AND NUMBER OF MORTGAGE LOANS PURCHASED BY COUNTY

APPENDIX A

MONTANA BOARD OF HOUSING

AUDITED FINANCIAL STATEMENTS

June 30, 1990

JUNKERMIER, CLARK, CAMPANELLA, STEVENS P. C.
Certified Public Accounts

APPENDIX A

MONTANA BOARD OF HOUSING

AUDITED FINANCIAL STATEMENTS

June 30, 1990

JUNKERMIER, CLARK, CAMPANELLA, STEVENS P. C.
Certified Public Accounts

MONTANA BOARD OF HOUSING

AUDITED FINANCIAL STATEMENTS

June 30, 1990

JUNKERMIER, CLARK, CAMPANELLA, STEVENS P.C.
Certified Public Accountants

MONTANA BOARD OF HOUSING

CONTENTS

Junkermier · Clark
Campanella · Stevens · P.C.

Certified Public Accountants

Ward H. Junkermier, CPA
George J. Campanella, CPA
Stone L. Paulson, Jr., CPA
Rick A. Frost, CPA
Robert E. Nebel, CPA
Joseph E. Shevlin, CPA
Ronald A. Taylor, CPA
Kent A. Borglum, CPA
Terry L. Alborn, CPA
William J. Eidel, CPA
Walter J. Kero, CPA

INDEPENDENT AUDITORS' REPORT

Board of Directors
Montana Board of Housing
Helena, Montana

We have audited the accompanying combined balance sheets of Montana Board of Housing as of June 30, 1990 and the related combined statements of revenue, expense and changes in fund balances, and combined statements of changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Montana Board of Housing as of June 30, 1990 and the combined results of its operations, and changes in financial position of its proprietary funds for the year then ended in conformity with generally accepted accounting principles.

Junkermier, Clark, Campanella, Stevens, PC

Helena, Montana
September 27, 1990

Montana Club Bldg. • P.O. Box 1164 • Helena, MT 59624 • (406) 442-6901

Offices in: Great Falls, MT 59403 • 600 Central Plaza, Suite 208 • P.O. Box 989 • 406-761-2820 • FAX 406-761-2825
Missoula, MT 59807 • 145 W. Front, Suite 3 • P.O. Box 8029 • 406-549-4148

MONTANA BOARD OF HOUSING
COMBINED BALANCE SHEETS
June 30, 1990

	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
ASSETS		
ASSETS		
Cash and investments	$191,138,020	$ 4,599,917
Mortgage loans receivable	424,965,731	13,202,186
Real estate owned	363,799	-
Interest receivable		
Mortgage loans receivable	3,865,941	89,031
Investments	3,062,605	126,893
Deferred bond issuance cost, net	9,188,901	338,072
Due from other funds	43,353	4,697
Fixed assets, net of accumulated depreciation of $134,811 in 1990 and $105,537 in 1989	-	-
Prepaid expense	-	-
Totals	$632,628,350	$ 18,360,796
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	$ 263,511	$ -
Accrued interest on bonds payable	6,084,976	448,206
Due to other funds	57,292	-
Bonds payable, net	570,075,125	14,585,319
Accrued compensated absences	-	-
Contingent arbitrage rebate tax liability	201,726	-
	576,682,630	15,033,525
FUND BALANCES		
Reserved fund balances	55,945,720	3,327,271
Designated fund balances	-	-
	55,945,720	3,327,271
Totals	$632,628,350	$ 18,360,796

See the accompanying independent auditors' report and the notes, which are an integral part of these financial statements.

MONTANA BOARD OF HOUSING
COMBINED BALANCE SHEETS
June 30, 1990

Housing Trust Funds	Financial Program Funds	Combined Totals 1990	Combined Totals 1989 Memorandum Only
$ 1,717,337	$ 197,135	$197,652,409	$166,494,974
-	-	438,167,917	445,514,168
-	-	363,799	1,093,473
-	-	3,954,972	4,344,975
11,706	1,400	3,202,604	3,183,262
-	-	9,526,973	9,675,198
-	11,859	59,909	15,613
-	41,235	41,235	57,689
-	7,377	7,377	7,659
$ 1,729,043	$ 259,006	$652,977,195	$630,387,011
$ -	$ 161,600	$ 425,111	$ 342,970
-	-	6,533,182	6,055,492
2,617	-	59,909	15,613
-	-	584,660,444	567,818,560
-	31,580	31,580	35,342
-	-	201,726	-
2,617	193,180	591,911,952	574,267,977
-	-	59,272,991	54,477,756
1,726,426	65,826	1,792,252	1,641,278
1,726,426	65,826	61,065,243	56,119,034
$ 1,729,043	$ 259,006	$652,977,195	$630,387,011

See the accompanying independent auditors' report and the notes, which are an integral part of these financial statements.

MONTANA BOARD OF HOUSING
COMBINED STATEMENTS OF REVENUE, EXPENSE AND CHANGES IN FUND BALANCES
Year ended June 30, 1990

	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
REVENUE		
Interest income on mortgage loans receivable	$ 39,880,082	$ 1,072,170
Interest income on investments	15,454,931	363,998
Fees	1,231	-
Investment gain	13,846	595
Other revenue	21,435	-
	55,371,525	1,436,763
EXPENSE		
Interest	46,684,306	1,070,685
Servicer fees	1,583,546	16,678
Amortization of bond issuance cost	702,926	15,480
Bad debts and estimated loss on real estate owned	512,028	-
General and administrative	-	-
General and administrative allocation	878,618	20,341
Arbitrage rebate tax	201,726	-
	50,563,150	1,123,184
EXCESS REVENUE BEFORE EXTRAORDINARY ITEM	4,808,375	313,579
EXTRAORDINARY ITEM	(326,719)	-
EXCESS REVENUE	4,481,656	313,579
FUND BALANCES AT BEGINNING OF YEAR		
Reserved fund balances	51,464,064	3,013,692
Designated fund balances	-	-
FUND BALANCES AT END OF YEAR		
Reserved fund balances	55,945,720	3,327,271
Designated fund balances	$ -	$ -

See the accompanying independent auditors' report and the notes, which are an integral part of these financial statements.

MONTANA BOARD OF HOUSING
COMBINED STATEMENTS OF REVENUE, EXPENSE AND CHANGES IN FUND BALANCES
Year ended June 30, 1990

Housing Trust Funds	Financial Program Funds	Combined Totals 1990	Combined Totals 1989 Memorandum Only
$ -	$ -	$ 40,952,252	$ 41,430,765
135,364	2,757	15,957,050	15,278,632
-	56,203	57,434	106,778
-	-	14,441	24,084
-	-	21,435	9,353
135,364	58,960	57,002,612	56,849,612
-	-	47,754,991	47,800,426
-	-	1,600,224	1,566,584
-	-	718,406	723,552
-	-	512,028	14,985
-	942,309	942,309	990,490
2,617	(901,576)	-	-
-	-	201,726	-
2,617	40,733	51,729,684	51,096,037
132,747	18,227	5,272,928	5,753,575
-	-	(326,719)	(410,201)
132,747	18,227	4,946,209	5,343,374
-	-	54,477,756	49,266,393
1,593,679	47,599	1,641,278	1,509,267
-	-	59,272,991	54,477,756
$ 1,726,426	$ 65,826	$ 1,792,252	$ 1,641,278

See the accompanying independent auditors' report and the notes, which are an integral part of these financial statements.

MONTANA BOARD OF HOUSING
COMBINED STATEMENTS OF CHANGES IN FINANCIAL POSITION
Year ended June 30, 1990

SOURCES OF CASH AND INVESTMENTS	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds
Provided from operations:		
Excess revenue before extraordinary item	$ 4,808,375	$ 313,579
Add (deduct) adjustments to cash:		
Amortization of bond premiums, discounts, issuance cost, mortgage discounts and commitment fees - net	4,336,504	13,697
Depreciation	-	-
(Increase) decrease in Interest receivable:		
Mortgage loans receivable	497,477	653
Investments	1,777	(18,740)
Prepaid expense	-	-
Increase (decrease) in:		
Accounts payable	(20,163)	-
Accrued interest on bonds payable	480,598	(2,908)
Accrued compensated absences	-	-
Contingent arbitrage rebate tax	201,726	-
(Increase) decrease in due from other funds	26,715	(1,860)
Increase (decrease) in due to other funds	-	-
Allowance for doubtful accounts	215,000	-
Allowance for possible loss on real estate owned	160,000	-
Actual bad debts written off	137,028	-
Cash and investments provided by operations	10,845,037	304,421
Mortgage loan and real estate owned receivable payments:		
Scheduled	7,443,434	104,488
Prepaid	33,236,396	-
Proceeds from bond sales	50,000,000	-
Transfer from other funds	-	-
	101,524,867	408,909
USES OF CASH AND INVESTMENTS		
Retirement of bonds	37,210,000	120,000
Purchase of mortgage loans receivable	32,792,235	-
Bond issuance cost paid	800,024	-
Transfer to other funds	-	-
Purchase of fixed assets	-	-
	70,802,259	120,000
Increase in cash and investments	30,722,608	288,909
Cash and investments beginning of year	160,415,412	4,311,008
CASH AND INVESTMENTS END OF YEAR	$ 191,138,020	$ 4,599,917

See the accompanying independent auditors' report and the notes, which are an integral part of these financial statements.

MONTANA BOARD OF HOUSING
COMBINED STATEMENTS OF CHANGES IN FINANCIAL POSITION
Year ended June 30, 1990

Housing Trust Funds	Financial Program Funds	Combined Totals 1990	Combined Totals 1989 Memorandum Only
$ 132,747	$ 18,227	$ 5,272,928	$ 5,753,575
-	-	4,350,201	3,907,851
-	29,275	29,275	29,310
-	-	498,130	315,105
(1,179)	(1,200)	(19,342)	(693,154)
-	282	282	(7,659)
-	9,204	(10,959)	54,000
-	-	477,690	929,142
-	(3,762)	(3,762)	35,342
-	-	201,726	-
-	(11,859)	12,996	160,865
2,617	(15,613)	(12,996)	(160,865)
-	-	215,000	-
-	-	160,000	-
-	-	137,028	14,985
134,185	24,554	11,308,197	10,338,497
-	-	7,547,922	7,041,517
-	-	33,236,396	34,756,850
-	-	50,000,000	50,000,000
-	-	-	1,585,343
134,185	24,554	102,092,515	103,722,207
-	-	37,330,000	38,930,000
-	-	32,792,235	44,553,436
-	-	800,024	933,745
-	-	-	1,585,343
-	12,821	12,821	1,400
-	12,821	70,935,080	86,003,924
134,185	11,733	31,157,435	17,718,283
1,583,152	185,402	166,494,974	148,776,691
$ 1,717,337	$ 197,135	$ 197,652,409	$166,494,974

See the accompanying independent auditors' report and the notes, which are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Montana Board of Housing is a quasi-judicial board created in 1975 by the Legislative Assembly of the State of Montana to facilitate the availability of decent, safe and sanitary housing to persons and families of lower income as determined in accordance with Board policy in compliance with the Internal Revenue Code. The Board is authorized to issue negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any one time may not exceed $975,000,000. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged to the payment of amounts so issued. The Board of Housing is attached to the Department of Commerce for administrative purposes.

Basis of Accounting:

The Board utilizes the accrual basis of accounting wherein revenue is recognized when earned and expense is recognized when incurred.

Reporting Entity:

In accordance with governmental accounting and financial reporting standards there are no component units to be included within the Board of Housing as a reporting agency. The Board of Housing is includable as a component unit within the State of Montana financial statements.

Fund Accounting:

To ensure observance of limitations and restrictions placed on the use of resources by the trust indentures, the Board of Housing accounts and funds are organized in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose as described in the trust indentures. The operations of each fund are accounted for by providing a separate set of self balancing accounts which are comprised of each fund's assets, liabilities, fund balance, revenue and expense. The Board's funds are classified as proprietary funds, that is, funds that are financed and operated in a manner similar to private business enterprises, where the intent of the Board is that the expenses of meeting its organizational purpose be financed or recovered primarily through user charges and investment earnings, and the periodic determination of revenue earned and expense incurred as appropriate for capital maintenance, public policy, management control, accountability and other purposes.

Reserved fund balances represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following describes the restrictions on the reserved fund balances:

The individual bond indentures establish certain funds and accounts as special trust funds to hold the individual

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued):

indenture funds. Due to the general obligation nature of the Board's bonds, these funds and accounts are pledged as collateral for the bonds under the individual program indentures. The individual indentures also set certain reserve requirements on cash and investments. These reserve requirements are disclosed in footnote number two to the financial statements. Also, as disclosed in footnote number three to the financial statements, the mortgage loans receivable are pledged as security for holders of the bonds. Certain indentures also require asset-liability coverage ratios be met before optional redemption of bonds. Also, bond rating agencies require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture.

Designated fund balances represent funds that are reserved to enhance bondholder security, to finance in whole or in part future housing needs, for establishment of new programs and to provide for continuing operations as prescribed by the Montana Board of Housing. The following is a description of the Board's individual funds:

SINGLE FAMILY MORTGAGE PROGRAM FUNDS;

These funds, established under six separate trust indentures adopted on various dates are prescribed for accounting for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, restricted to the purchase of eligible single family mortgage loans. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

The accompanying June 30, 1990, financial statements present the total combined Single Family Mortgage Program Funds in one column. The assets of each individual Single Family Program Fund are restricted by the Fund's respective trust indenture, therefore, the combined totals do not indicate that the combined Single Family Program Funds' assets are available in any manner other than provided for in the individual trust indentures. The individual Single Family Program Funds are identified in the notes to the combined financial statements as follows:

	Number of Bond Issues	Trust Indenture Adopted Dates
Single Family I Program Funds	Six	March 10, 1977
Single Family II Program Funds	Nine	August 16, 1979
Single Family III Program Funds	One	October 1, 1988
Single Family IV Program Funds	One	March 1, 1989
Single Family V Program Funds	One	February 1, 1990
Single Family VI Program Funds	One	June 1, 1990

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued):

MULTIFAMILY MORTGAGE PROGRAM FUNDS;

These funds, established under a trust indenture adopted February 23, 1978 and amended June 26, 1979 and May 27, 1982, are prescribed for accounting for the proceeds from the sale of Multifamily Mortgage Bonds, the debt service requirements of the bond indebtedness, and for the construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds. The mortgage loans must be insured by the Federal Housing Administration.

BONDHOLDER RESERVE FUNDS;

The Bondholder Reserve Funds are designated funds transferred from the Financial Program Funds and, established as a separate fund by a resolution of the Montana Board of Housing, adopted June 11, 1987. The Bondholder Reserve Fund was created in order to provide for enhanced bondholder security. Uses are restricted to Single Family I Program purposes or other uses as determined by the Montana Board of Housing. The Bondholder Reserve Funds were transferred to the Housing Trust Fund June 9, 1989, per a Board of Housing resolution adopted February 16, 1989, therefore, terminating the Bondholder Reserve Fund.

HOUSING TRUST FUNDS;

The Housing Trust Funds are designated funds transferred from the Bondholder Reserve Funds and established as a separate trust fund by a resolution of the Montana Board of Housing, adopted February 16, 1989. The Housing Trust Fund was created to finance in whole or in part future housing needs and the establishment of new programs as deemed necessary by the Board, including, but not limited to, the Reverse Annuity Mortgage Program that was established pursuant to the authority given the Board by MCA 90-6-501 of the Fifty-First Montana Legislature, and any loans or grant projects that will provide housing for lower income persons and families with special housing needs. The Board recognizes that the Housing Trust Fund is also available generally as security for bondholders relying on the Board's pledge of its general obligation.

FINANCIAL PROGRAM FUNDS;

The Financial Program Funds are designated funds established by a resolution of the Montana Board of Housing adopted August 14, 1981. The Financial Program Funds are restricted to program purposes as determined by the Montana Board of Housing and the funds collateralize general obligations of the Board. The Financial Program Funds are generally used for the general and administrative operating expenses of the Board's programs. These general and administrative operating expenses are then allocated to the specific program funds based upon direct expenses. The indirect expenses are allocated based upon the relationship that direct expenses bear to total direct expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Combined Totals:

The accompanying June 30, 1990, financial statements "Combined Totals" columns contain the totals of the similar accounts of all funds of the Board. Since the assets of certain funds are restricted by trust indentures, the totals are for convenience only and do not indicate that the combined assets are available in any manner other than provided for in the trust indentures or as designated by Board resolutions. The totals for 1989, labeled "Memorandum Only" represent summarized totals of all funds and are for comparative purposes only.

Change in Accounting Principles:

Effective July 1, 1988, for mortgages purchased with Single Family III and Single Family IV Mortgage Program Funds, and future single family mortgage program fund indentures, the Board prospectively changed its method of accounting for reservation fees and mortgage discounts to conform with the recent pronouncement of the Financial Accounting Standards Board (FASB) No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases". Under the new accounting method, reservation fees and mortgage discounts are amortized over the life of the mortgage loans using the interest method as an adjustment of yield. There is no cumulative effect on beginning reserved fund balances, since the Pronouncement has been applied prospectively. The effect of the change was to decrease 1989 combined excess revenue before and after extra-ordinary item by $440,831 for unamortized reservation fees (commitment fees per FASB No. 91). The effect of using the interest method for amortizing mortgage discounts versus the previous accounting method of amortizing mortgage discounts over the remaining life of the mortgage loans was not determined for 1989.

In 1989 the Board retroactively changed its method of accounting for accrued compensated absences from the cash method to the accrual method. The Board has not accounted for the change in accounting principal as a cumulative effect adjustment on the face of the combined statement of revenue and expense. The cumulative effect of applying the new accounting principal on the 1989 financial statements was to decrease combined excess revenue before and after extraordinary item by $35,342 of which $32,806 represented prior periods accrued compensated absences. The accrued compensated absences expensed in 1989 have been classified in general and administrative expense.

Change in Accounting Estimates:

In 1990 the Board changed its method of accounting for Single Family Program mortgage loans receivable bad debts from the direct write off method to the allowance method. The Board changed to the allowance method in part due to the Veterans Administration no bid policy on foreclosed property and the Board's decision that it was prudent management to adopt the allowance method. The change has been accounted for as a change in accounting estimate since the Board determined the use of the direct write off method in prior years was acceptable. The effect of the change in estimate was to decrease

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Estimates (Continued):

the combined statement of revenue and expense before and after extraordinary item by $215,000.

In 1990 the Board changed its method for accounting for losses on disposition of real estate owned for Single Family Program Mortgage Funds from the direct write off method to an allowance for possible loss for prudent management reasons. The change has been accounted for as a change in accounting estimate since the Board determined the use of the direct write off method in prior years was acceptable. The effect of the change in estimate was to decrease the combined statement of revenue and expense before and after extraordinary item by $160,000.

Cash and Investments:

The Board's bond trust indentures restrict investment obligations to any of the following, which at the time are legal investments for fiduciaries under the laws of the State of Montana:

U.S. Treasury, U.S. agencies, direct obligations of the State or any political subdivision of the State rated in either of its two highest rating categories by a nationally recognized bond rating agency, public bonds and notes fully secured as to payment of principal and interest by a payment agreement with the United States of America, repurchase agreements with U.S. Treasury or U.S. agency obligations as the underlying securities, and certificates of deposit with Federal Reserve System member banks or any Federal Savings and Loan Insurance Corporation member savings and loan association with U.S. Treasury or U.S. agency obligations as collateral to the extent not insured.

Investments, which are generally intended to be held to maturity, are reported at amortized cost. Investment premiums or discounts of $1,000 or more are amortized using the straight-line method over the life of the investment. Short term discount investments are reported at cost.

Mortgage Loans Receivable:

Permanent mortgage loans receivable are carried at their uncollected principal balances, adjusted for unamortized mortgage discounts and commitment fees (reservation fees per the Board) less an allowance for doubtful accounts. Mortgage discounts and commitment fees are amortized using the interest method over the life of the mortgage loans for mortgages purchased with Single Family III, IV, V, VI Mortgage Program Funds and accreted to interest income on mortgages. Mortgage discounts for all other program funds are amortized over the remaining life of the mortgage loans and accreted to interest income on mortgages.

Foreclosed property represents the uncollected principal balance of foreclosed loans, net of insurance/guaranty payments applied to the principal. Real estate owned represents real property conveyed to the Board as part of the insurance/guaranty settlement. Foreclosed property, net of insurance/

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans Receivable (Continued):

guaranty payments, is included in mortgage loans receivable. Real estate owned has been classified separately on the combined balance sheets, net of guaranty and sales proceeds less an allowance for possible loss.

The Board used the direct write off method for uncollectible mortgage loans receivable balances and possible loss on real estate owned in 1989. The allowance method for estimated uncollectible mortgage loans receivable and possible loss on real estate owned was used for 1990.

Interest Receivable - Mortgage Loans and Foreclosed Property:
Interest is accrued based upon the amount of outstanding mortgage loan principal. Not more than six (6) months interest is accrued or recognized as income on loans in arrears or under some phase of liquidation.

Interest accrues on all foreclosed property except real estate owned from the last interest "paid to date" to the date of the first insurance/guaranty proceeds check. Interest accrues on real estate owned, from the last interest "paid to date" to the trustee sale date of the foreclosed property. Interest receivable is carried net of insurance/guaranty proceeds collected and applied to interest receivable.

Servicer Fees:
The Board incurs mortgage loan service fees with participating loan servicers. The service fees are based upon individual outstanding monthly mortgage loan principal balances, and paid only when the mortgagor's full monthly payment is collected.

Fixed Assets:
Fixed assets are recorded at cost and depreciation is computed using the straight-line basis over estimated useful lives of 3 to 10 years. The majority of the fixed assets consists of computers and software.

Fee Income:
Fees collected as reimbursement for costs incurred in developing and implementing the programs of the Board and for other specific services are recorded as income in the period received. Reservation fees (commitment fees) collected in connection with Single Family I and Single Family II Program Mortgages are recorded as income in the period received as fee revenue. Reservation fees associated with Single Family III, IV, V and VI Program Mortgages have been deferred and amortized using the interest method over the life of the mortgage loans and accreted to interest income. These reservation fees are classified as commitment fees per FASB No. 91.

Amortization of Bond Premiums and Discounts:
Bond premiums and discounts are being amortized or accreted to interest expense, using the interest method, over the life of the bonds to which they relate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accretion of Capital Appreciation Bonds (CAB):
CABs are reported at accreted value using the compounded value as set forth in the supplemental trust indenture, over the life of the bonds. The accreted amount is reported as interest expense on bonds.

Accretion of Postponed Revenue on Future Income Tax Exempt Securities Bonds (PROFITS):
PROFIT bonds are reported at accreted value using the compounded value until the bonds reach face value at which time they convert to coupon bonds as set forth in the supplemental trust indenture. The accreted amount is reported as interest expense on bonds.

Amortization of Bond Issuance Cost:
Bond issuance costs, including underwriter discounts, are being amortized using the bonds outstanding method over the life of the bonds.

Bonds Payable - Net:
Bonds payable are reported at net of unpaid principal outstanding, adjusted for unamortized bond premiums, and discounts.

Compensated Absences:
The Board's employees earn vacation leave ranging from 15-24 days depending on the employee's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave.

2. CASH AND INVESTMENTS

The following discloses deposits which either are FDIC insured or trustees and co-trustees hold collateral for:

	June 30, 1990		
FUND	TOTAL	FDIC INSURED	COLLATERALIZED
Single Family I Program Funds	$1,207,909	$1,207,909	$ -
Single Family II Program Funds	2,365,918	2,365,918	-
Single Family III Program Fund	930	930	-
Single Family IV Program Funds	1,687	1,687	-
Single Family V Program Funds	1,037	1,037	-
Single Family VI Program Funds	937	937	-
Total Single Family Program Funds	3,578,418	3,578,418	-
Multifamily Program Funds	1,415	1,415	-
Housing Trust Funds	4,488	4,488	-
Financial Program Funds	1,437	1,437	-
Combined totals	$3,585,758	$3,585,758	$ -

2. CASH AND INVESTMENTS (Continued)

	June 30, 1989 (Memorandum Only)		
FUND	TOTAL	FDIC INSURED	COLLATERALIZED
Single Family I Program Funds	$1,140,358	$1,140,358	$ -
Single Family II Program Funds	1,947,154	1,947,154	-
Single Family III Program Funds	(1,896)	(1,896)	-
Single Family IV Program Funds	64	64	-
Total Single Family Program Funds	3,085,680	3,085,680	-
Multifamily Program Funds	229,677	16,094	213,583
Housing Trust Funds	3,777	3,777	-
Financial Program Funds	843	843	-
Combined totals	$3,319,977	$3,106,394	$ 213,583

In addition to the above deposits, the Board had the following cash on hand, representing U.S. Treasury checks in transit to trustees and deposits with the State Treasurer in the Financial Program Funds.

	1990	1989 Memorandum Only
Cash on hand-Single Family Program Funds	$ -	$ 745,599
Deposits with State Treasurer - Financial Program Funds	163,113	152,938
Totals	$ 163,113	$ 898,537

The Board's investments at June 30, 1990 and 1989, consisted of uninsured and unregistered investments which were held by or for the trustees in the Board's name as follows (category type two investments per government accounting standards):

	1990		1989 Memorandum Only	
	Carrying Amount	Market Value	Carrying Amount	Market Value
U.S. Treasury	$ 65,061,394	$ 71,897,450	$ 81,276,946	$ 90,335,503
U.S. Agency	83,391,184	83,839,654	55,159,310	55,517,652
Repurchase agreements	44,848,760	45,584,764	25,840,204	26,822,349
Treasury obligation funds	602,200	602,200	-	-
Totals	$193,903,538	$201,924,068	$162,276,460	$172,675,504

2. CASH AND INVESTMENTS (Continued)

The following discloses the 1990 investments by funds:

	1990	
	Carrying Amount	Market Value
Single Family I Program Funds	$ 25,386,457	$ 25,882,666
Single Family II Program Funds	117,854,950	124,625,854
Single Family III Program Funds	2,875,350	2,933,880
Single Family IV Program Funds	2,708,744	2,778,561
Single Family V Program Funds	13,937,089	14,532,294
Single Family VI Program Funds	24,797,012	24,809,483
Total Single Family Program Funds	187,559,602	195,562,738
Multifamily Program Funds	4,598,502	4,601,873
Housing Trust Funds	1,712,849	1,725,559
Financial Program Funds	32,585	33,898
Combined totals	$193,903,538	$201,924,068

The Board has repurchase agreements with the following investment agreement providers for 1990:

	Interest Rates	Interest Maturity Dates
Single Family III Mortgage Program Funds:		
Goldman-Sachs & Co.	8.3%	4-1 & 10-1
Citicorp	7.3% & 8.3%	4-1 & 10-1
Single Family IV Mortgage Program Funds:		
Morgan Stanley	10.375%	4-1 & 10-1
Morgan Guaranty	9.0%	4-1 & 10-1
Citicorp	8.0%	4-1 & 10-1
Single Family V Mortgage Program Funds:		
Morgan Stanley	8.05%	4-1 & 10-1
Morgan Guaranty	8.5%	4-1 & 10-1
Citicorp	7.625%	4-1 & 10-1
Single Family VI Mortgage Program Funds:		
Morgan Guaranty	7.75%	4-1 & 10-1
Citicorp	7.91% & 8.61%	4-1 & 10-1

All repurchase agreements were fully collateralized with securities and cash held by the provider and confirmed by the trustee as required by the bond indentures. Repurchase agreements for Single Family IV Mortgage Program Funds also pay interest on redemption of principal.

Portions of cash and investments are restricted to uses specified by applicable bond indentures. Amounts are restricted as follows:

2. CASH AND INVESTMENTS (Continued)

	June 30, 1990		
	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Multifamily Mortgage Program Funds
Debt service reserve	$ 9,442,600	$ 41,957,159	$ 1,150,000
Mortgage reserve	1,181,580	3,257,240	275,840
Totals	$ 10,624,180	$ 45,214,399	$ 1,425,840

	June 30, 1990		
	Single Family III Mortgage Program Funds	Single Family IV Mortgage Program Funds	Single Family V Mortgage Program Funds
Debt service reserve	$ 1,750,000	$ 1,750,000	$ 1,750,000

	June 30, 1990	
	Single Family VI Mortgage Program Funds	Total Single Family Mortgage Program Funds
Debt service reserve	$ 1,750,000	$ 58,399,759
Mortgage reserve	-	4,438,820
	$ 1,750,000	$ 62,838,579

	June 30, 1989 (Memorandum Only)		
	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Multifamily Mortgage Program Funds
Debt service reserve	$ 9,442,600	$ 44,592,539	$ 1,150,000
Mortgage reserve	1,181,500	3,528,948	275,840
Totals	$ 10,624,100	$ 48,121,487	$ 1,425,840

3. MORTGAGE LOANS RECEIVABLE

The mortgage loans receivable are pledged in accordance with individual program indentures as security for holders of the bonds.

Mortgage loans receivable consist of the following:

	1990	1989 Memorandum Only
Single Family I Program:		
Mortgage loans receivable with fixed payments of principal and interest ranging from 6.875% to 9.125%, original terms ranging from 25-30 years, FHA insured or V.A. guaranteed.	$ 90,576,840	$ 96,919,736
Unamortized mortgage discounts	(539,525)	(569,420)
Foreclosed property - net	23,294	-
	90,060,609	96,350,316
Less allowance for doubtful accounts	(18,115)	-
	$ 90,042,494	$ 96,350,316

3. MORTGAGE LOANS RECEIVABLE (Continued)

	1990	1989 Memorandum Only
Single Family II Program:		
Mortgage loans receivable with fixed payments of principal and interest ranging from 7.75% to 12.5%, original terms ranging from 25 - 30 years, FHA insured or V.A. guaranteed.	$283,006,097	$315,667,807
Unamortized mortgage discounts	(3,407,284)	(3,892,197)
Foreclosed property - net	12,468	224,149
	279,611,281	311,999,759
Less allowance for doubtful accounts	(191,885)	-
	279,419,396	311,999,759
Single Family III Program:		
Mortgage loans receivable with fixed payments of principal and interest of 8.5%, original terms 30 years, FHA insured or V.A. guaranteed.	22,522,537	21,849,455
Unamortized mortgage discounts	(230,428)	(226,248)
Unamortized deferred commitment fees	(236,945)	(234,720)
Foreclosed property - net	21,038	-
	22,076,202	21,388,487
Less allowance for doubtful accounts	(2,000)	-
	22,074,202	21,388,487
Single Family IV Program:		
Mortgage loans receivable with fixed payments of principal and interest of 8.77%, original terms 30 years, FHA insured or V.A. guaranteed.	22,861,765	2,702,224
Unamortized mortgage discounts	(228,467)	(27,022)
Unamortized deferred commitment fees	(238,223)	(206,111)
	22,395,075	2,469,091
Less allowance for doubtful accounts	(2,000)	-
	$ 22,393,075	$ 2,469,091

3. MORTGAGE LOANS RECEIVABLE (Continued)

	1990	1989 Memorandum Only
Single Family V Program:		
Mortgage loans receivable with fixed payments of principal and interest of 8.25%, original terms 30 years, FHA insured or V.A. guaranteed.	$ 11,384,179	$ -
Unamortized mortgage discounts	(113,218)	-
Unamortized deferred commitment fees	(233,397)	-
	11,037,564	-
Less allowance for doubtful accounts	(1,000)	-
	11,036,564	-
Single Family Program totals	424,965,731	432,207,653
Multifamily Program:		
Mortgage loans receivable with fixed payments of principal and interest ranging from 7% to 12%,40 year terms, FHA insured.	13,282,222	13,386,710
Unamortized mortgage discounts	(80,036)	(80,195)
	13,202,186	13,306,515
Combined totals	$438,167,917	$445,514,168

4. REAL ESTATE OWNED

Real estate owned consists of the following:

	1990	1989 Memorandum Only
Single Family I Program		
Outstanding principal balance	$ 27,264	$ 17,828
Interest receivable	2,187	2,608
	29,451	20,436
Less allowance for possible loss	(8,900)	-
	20,551	20,436
Single Family II Program		
Outstanding principal balance	414,104	885,087
Interest receivable	80,244	187,950
	494,348	1,073,037
Less allowance for possible loss	(151,100)	-
	343,248	1,073,037
Single Family Program totals	$ 363,799	$ 1,093,473

5. BONDS PAYABLE - NET

Bonds payable - net consists of the following:

Single Family I Mortgage Bonds:

1977 Series A, 4.5% to 8% interest, maturing in scheduled annual installments from October 1, 1980 to October 1, 1992 and on October 1, 2008.

1977 Series B, 4.15% to 8% interest, maturing in scheduled annual installments from October 1, 1980 to October 1, 1992 and on October 1, 2008.

1978 Series A, 5.05% to 8% interest, maturing in scheduled annual installments from October 1, 1980 to October 1, 1997 and on October 1, 2003 and October 1, 2009.

1987 Series A, 5.3% to 8.625% interest, maturing in scheduled annual installments from April 1, 1988 to April 1, 2000 and on April 1, 2018.

1987 Series B-1 and B-2, serial and term bonds, 6.25% to 9% interest, maturing in scheduled annual installments from April 1, 1989 to April 1, 2002 and on April 1, 2007, April 1, 2014, and April 1, 2029.

1988 Series A-1 and A-2 serial, term and Postponed Revenue on Future Income Tax Exempt Securities (PROFITS), 5.4% to 8.5% interest, maturing in scheduled annual installments from April 1, 1990 to April 1, 2003 and on April 1, 2012, April 1, 2027, and April 1, 2019. PROFITS are reported at an accreted value.

Total bonds outstanding

Unamortized bond discount

Total bonds payable - net

Original Amount	June 30 1990	1989 Memorandum Only
$ 21,470,000	$ 13,270,000	$ 13, 945,000
35,060,000	22,035,000	23,150,000
13,600,000	8,800,000	9,280,000
20,000,000	18,470,000	19,230,000
20,000,000	18,855,000	19,595,000
19,998,793	20,021,921	20,154,167
	101,451,921	105,354,167
	(60,752)	(65,250)
	101,391,169	105,288,917

5. BONDS PAYABLE - NET (Continued)

Single Family II Mortgage Bonds:

1979 Series A, 5.1% to 6.6% interest, maturing in scheduled annual installments from June 1, 1981 to June 1, 1997, and on June 1, 2000 and June 1, 2011.

1980 Series A, 7.7% to 9% interest, maturing in scheduled annual installments from June 1, 1982 to June 1, 2000, and on June 1, 2012.

1982 Series A, 8.5% to 13.5% interest, maturing in scheduled annual installments from June 1, 1984 to June 1, 1996, and on June 1, 2002 and 2008.

1983 Series A, 5.25% to 9.875% interest, maturing in scheduled annual installments from June 1, 1984 to June 1, 1998, and on June 1, 2003 and 2009.

1983 Series B, 8% to 9.625% interest, maturing in scheduled annual installments from June 1, 1991 to June 1, 1996, and on June 1, 2003 and 2009.

1983 Series C, serial, term and Capital Appreciation Bonds (CAB) 5.75% to 10.7% interest, serial and term bonds maturing in scheduled semi-annual installments from June 1, 1984 to December 1, 2002. CABs are reported at an accreted value, and are scheduled for redemption, in part, in semi-annual installments commencing June 1, 2003 to June 1, 2010.

1984 Series A, serial, term and CABs, 7% to 10.375% interest, serial and term bonds maturing in scheduled annual installments from June 1, 1986 to June 1, 2004. CABs are reported at an accreted value, and are scheduled for redemption, in part, in annual installments commencing June 1, 2005 to June 1, 2010.

Original Amount	June 30 1990	1989 Memorandum Only
$100,000,000	$ 70,700,000	$ 74,975,000
50,000,000	35,135,000	37,195,000
55,000,000	8,235,000	9,315,000
30,000,000	21,630,000	22,170,000
55,000,000	38,065,000	41,785,000
114,998,229	70,337,554	79,633,086
75,002,290	54,003,789	58,957,161

5. BONDS PAYABLE - NET (Continued)

Single Family II Mortgage Bonds (Continued):

1985 Series A, serial, term, CAB and Postponed Revenue on Future Income Tax - Exempt Securities (PROFITS) 5.5% to 9.75% interest, serial and term bonds maturing in scheduled semi-annual installments from December 1, 1986 to December 1, 1998, June 1, 2005 to June 1, 2010, and December 1, 2013 to June 1, 2015. CABs are reported at accreted value, and scheduled for redemption, in part, in semi-annual installments commencing June 1, 1999 to December 1, 2004 and December 1, 2015 to June 1, 2016. PROFITS are reported at accreted value, and begin to pay interest semi-annually, scheduled for redemption, in part, in semi-annual installments commencing December 1, 2010 to June 1, 2013.

1985 Series B, serial, term, CAB and Postponed Revenue on Future Income Tax - Exempt Securities (PROFITS) 5.7% to 9.75% interest, serial and term bonds maturing in scheduled semi-annual installments from June 1, 1987, to December 1, 1995, June 1, 2003, to June 1, 2011, and June 1, 2014, to June 1, 2017. CABs are reported at accreted value, and scheduled for redemption, in part, in semi-annual installments commencing June 1, 1996 to December 1, 2002. PROFITS are reported at accreted value, and begin to pay interest semi-annually on June 1, 1997 and are subject to mandatory redemption commencing December 1, 2011, to December 1, 2013.

Total bonds outstanding

Unamortized bond discounts

Total bonds payable - net

Single Family III Mortgage Bonds:

1988 Series B-1 and B-2, serial and term senior bonds, and subordinate bonds, 6.2% to 8.9% interest, maturing in scheduled semi-annual installments from October 1, 1990, to October 1, 2008, and October 1, 2014 and 2020.

Single Family IV Mortgage Bonds:

1989 Series A-1 and A-2, serial and term senior bonds and subordinate bonds, 7% to 9.2% interest, maturing in scheduled semi-annual installments from April 1, 1991, to October 1, 2004, and October 1, 2009, October 1, 2018 and October 1, 2020.

Original Amount	June 30 1990	1989 Memorandum Only
$ 39,999,625	$ 32,146,220	$ 34,878,433
74,996,862	38,853,513	39,312,110
	369,106,076	398,220,790
	(372,120)	(398,090)
	368,733,956	397,822,700
25,000,000	24,950,000	25,000,000
25,000,000	25,000,000	25,000,000

5. BONDS PAYABLE - NET (Continued)

Single Family V Mortgage Bonds:

1990 Series A-1 and A-2, Serial and Term Senior Bonds and Subordinate Bonds, 6.2% to 8.525% interest, maturing in scheduled semi-annual installments from April 1, 1992, to October 1, 2005, and October 1, 2010, October 1, 2016, October 1, 2017 and October 1, 2021.

Single Family VI Mortgage Bonds:

1990 Series B-1 and B-2, Serial and Term Senior Bonds and Subordinate Bonds, 6.2% to 8.5% interest, maturing in scheduled semi-annual installments from October 1, 1992, to October 1, 2005, and October 1, 2010, October 1, 2016, October 1, 2017 and October 1, 2021, and April 1, 2022.

Single Family Mortgage Bonds Total - net

All single family mortgage bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption at various dates at prices ranging from 100 to 103.

Single Family III, IV, V and VI mortgage senior bonds are special obligation bonds of the Board of Housing with subordinate bonds which are general obligation bonds of the Board of Housing.

Single Family I and II mortgage series bonds are general obligation bonds of the Board of Housing within the individual bond indenture.

Multifamily Mortgage Bonds:

1978 Series A, 6.125%, interest, maturing August 1, 2019.

1979 Series A, 5.4% to 6.875% interest, maturing in scheduled annual installments from August 1, 1980 to August 1, 1999, and on August 1, 2021.

1982 Series A. 12.75% interest, maturing August 1, 2023.

Total Bonds outstanding

Unamortized bond premiums

Unamortized bond discounts

Total bonds payable - net

Combined total bonds payable - net:

All multifamily mortgage bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption after various dates at prices ranging from 100 to 105.

Original Amount	June 30 1990	1989 Memorandum Only
$ 25,000,000	$ 25,000,000	$ -
25,000,000	25,000,000	-
	570,075,125	553,111,617
4,865,000	4,560,000	4,600,000
8,660,000	8,055,000	8,130,000
1,945,000	1,925,000	1,930,000
	14,540,000	14,660,000
	64,808	67,023
	(19,489)	(20,080)
	14,585,319	14,706,943
	$584,660,444	$567,818,560

5. BONDS PAYABLE - NET (Continued)

The following is a summary of bond principal requirements as of June 30, 1990:

Years ending June 30	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds
1991	$ 2,940,000	$ 14,865,000
1992	3,005,000	14,290,000
1993	2,870,000	15,410,000
1994	3,035,000	16,675,000
1995	3,585,000	18,195,000
Subsequent years	85,956,169	289,298,956
Totals	$ 101,391,169	$ 368,733,956

Years ending June 30	Single Family III Mortgage Program Funds	Single Family IV Mortgage Program Funds
1991	$ 200,000	$ 95,000
1992	215,000	205,000
1993	230,000	225,000
1994	250,000	235,000
1995	265,000	255,000
Subsequent years	23,790,000	23,985,000
Totals	$ 24,950,000	$ 25,000,000

Years ending June 30	Single Family V Mortgage Program Funds	Single Family VI Mortgage Program Funds
1991	$ -	$ -
1992	120,000	-
1993	255,000	245,000
1994	270,000	260,000
1995	285,000	275,000
Subsequent years	24,070,000	24,220,000
Totals	$ 25,000,000	$ 25,000,000

Years ending June 30	Total Single Family Mortgage Program Funds	Total Multifamily Mortgage Program Funds
1991	$ 18,100,000	$ 125,000
1992	17,835,000	130,000
1993	19,235,000	140,000
1994	20,725,000	150,000
1995	22,860,000	160,000
Subsequent years	471,320,125	13,880,319
Totals	$ 570,075,125	$ 14,585,319

6. EXTRAORDINARY ITEM

During year ended June 30, 1990 and 1989, the Board redeemed Single Family I and Single Family II mortgage bonds prior to scheduled maturity as follows:

	Year ended June 30	
	1990	1989 Memorandum Only
Single Family I		
October 1	$ 255,000	$ 150,000
April 1	960,000	285,000
	1,215,000	435,000
Single Family II		
August 1	-	300,000
December 1	9,805,000	7,615,000
June 1	8,600,000	12,665,000
	18,405,000	20,580,000
Total	$19,620,000	$21,015,000
Single Family III		
June 1	$ 50,000	$ -

All such bonds were redeemed at par or 100% of their compounded value to the date of redemption. Unamortized discounts and cost of issuance associated with the bonds redeemed were expensed at time of redemption and are reported as an extraordinary item in the combined financial statements.

During the fiscal year 1990 and 1989, the Board issued mortgage bond series 1988B, 1989A, and 1990A (Single Family III, Single Family IV, and Single Family V Mortgage Program Funds). A portion of the proceeds from these new issues were used to partially refund certain previous bond issues redeemed on December 1, 1989 and 1988, and June 1, 1990 and 1989, as disclosed above.

7. COMMITMENTS

The Board leases office space at $2,225 per month. The term of the lease is July 1, 1989 through June 30, 1991. Minimum future lease commitments as of June 30, 1990 are as follows:

Year ended June 30	
1991	$ 26,700

In November 1986, the Board passed a resolution directing staff to utilize Single Family II mortgage prepayments to call outstanding bonds. It is anticipated that future calls will be made on a recurring basis.

7. COMMITMENTS (Continued)

The Board had committed to acquire or had reserved funds to purchase Single Family Mortgages as of June 30, 1990 of $12,147,410.

8. BAD DEBTS AND ESTIMATED LOSSES ON REAL ESTATE OWNED

The Board recognized the following bad debts and estimated losses on real estate owned using the allowance method for 1990 and direct write-off method for 1989:

	1990	1989 Memorandum Only
Single Family I Program Funds	$ 38,218	$ -
Single Family II Program Funds	468,810	14,985
Single Family III Program Funds	2,000	-
Single Family IV Program Funds	2,000	-
Single Family V Program Funds	1,000	-
Single Family VI Program Funds	-	-
Totals	$ 512,028	$ 14,985

9. RELATED PARTY EXPENSE

The Board incurred administrative expense with the Department of Commerce of $28,128 and $25,366 for the years ended June 30, 1990 and June 30, 1989, respectively. The Board purchases insurance coverage and the majority of its operating supplies through the State of Montana.

10. PENSION PLAN

All eligible employees of the Montana Board of Housing participate in the Montana Public Employees Retirement System (PERS), a defined benefit plan, and cost-sharing multiple-employer public employee retirement system. The Board is required to contribute for full time employees at the rate of 6.417% of annual compensation under State statute. Employees are required to contribute 6% of annual compensation. Part-time employees have an option to belong to the retirement plan, depending upon hours worked.

The total number of Board employees covered during the year ended June 30, 1990 and 1989 was 13 and 11, respectively. The total payroll for these employees was $260,357 in 1990 and $258,908 in 1989. The Board's contributions were $16,719 and $16,614 for the years ended June 30, 1990 and 1989. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service. Monthly retirement benefits are determined by taking 1/60 times the number of years of service times the final average salary. Members' rights become vested after 5 years of service.

10. PENSION PLAN (Continued)

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The Board is unable to determine the actuarial present value of credited projected benefits and net assets available for benefits since the information is available only on a total State basis, not agency basis.

The pension benefit obligation at June 30, 1989, for the State system as a whole was $1,042,198,000. The system's net assets available for benefits at cost on June 30, 1989, were $762,195,000 leaving an overall unfunded pension benefit obligation of $280,003,000. The Board's 1989 contribution represented approximately .06% of total June 30, 1989, contributions required of all participating entities. The Board is not responsible for any state system unfunded liability.

Ten-year historical trend information showing the State system's progress in accumulating sufficient assets to pay benefits when due is presented in the system's June 30, 1989 annual financial report. Only the first two years of the required 3-year trend information is available.

11. DEFERRED COMPENSATION PLAN

The Board's employees are eligible to participate in the State of Montana's deferred compensation plan. The State of Montana administers the plan by contractual arrangement with Nationwide Insurance.

12. INTEREST EXPENSE

Interest on bonds is comprised of the following for June 30, 1990:

Mortgage Program Funds	Interest Incurred	(1) Amortization	Totals
Single Family I	$ 7,082,226	$ 191,004	$ 7,273,230
Single Family II	30,822,986	3,978,727	34,801,713
Single Family III	1,964,177	-	1,964,177
Single Family IV	2,025,810	-	2,025,810
Single Family V	598,371	-	598,371
Single Family VI	21,005	-	21,005
Multifamily	1,072,310	(1,625)	1,070,685
Totals	$ 43,586,885	$ 4,168,106	$ 47,754,991

12. INTEREST EXPENSE (Continued)

Interest on bonds is comprised of the following for June 30, 1989:

Mortgage Program Funds	Interest Incurred	(1) Amortization	Totals
Single Family I	$ 7,261,800	$ 176,508	$ 7,438,308
Single Family II	34,011,998	3,610,398	37,622,396
Single Family III	1,222,774	-	1,222,774
Single Family IV	438,926	-	438,926
Multifamily	1,079,647	(1,625)	1,078,022
Totals	$ 44,015,145	$ 3,785,281	$ 47,800,426

(1) Amortization of bond discounts and premiums and accretion of CABS and PROFIT bonds - net.

Amortization of bond discounts in the amounts of $3,776 for 1990 and $27,055 for 1989 were expensed as an extraordinary item and are not in the totals above.

13. CONDUIT FINANCING

Under an Indenture of Trust dated October 1, 1985, the Board issued its "Montana Board of Housing Multifamily Housing Revenue Bonds (Cowdrey Project)" in the principal amount of $800,000. In this transaction, the Board acted only as a conduit and the bonds are not general obligations of the Board, but are payable solely from project funds held thereunder. As these bonds are not an obligation of the Board, they are not reflected in the accompanying financial statements.

14. SUBSEQUENT EVENTS

Effective August 25, 1989, the Board passed a resolution committing $730,300 of the Housing Trust Fund to implement the pilot Reverse Annuity Mortgage Program. The Board anticipates the program will be implemented beginning in October, 1990.

The Board redeemed at par or 100% of their compounded value to the date of redemption at September 4, 1990, $15,695,000 of Single Family II Bonds using $13,740,000 of the proceeds from the Single Family VI bond issue and mortgage prepayments for such redemption. Unamortized discounts and cost of issuance associated with the bonds redeemed amounted to $299,119.

The Board issued $25,000,000 of bonds representing Single Family VII Program Funds, 1990 Series C-1 and C-2, dated August 15, 1990. The bonds issued were $24,000,000 special obligation bonds of the Board of Housing with $1,000,000 subordinate bonds which are general obligation bonds of the Board of Housing.

15. SEGMENT FINANCIAL DATA

Financial data for the single family program funds as of June 30, 1990 are summarized as follows:

	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Single Family III Mortgage Program Funds
Total assets	$ 119,624,051	$ 410,591,414	$ 25,569,939
Total liabilities	$ 103,170,325	$ 371,250,040	$ 25,473,131
Total reserved fund balances	16,453,726	39,341,374	96,808
	$ 119,624,051	$ 410,591,414	$ 25,569,939
Total revenue	$ 9,674,106	$ 40,594,133	$ 2,154,623
Total expense	7,987,291	37,495,694	2,094,278
Excess revenue before extraordinary item	1,686,815	3,098,439	60,345
Extraordinary item	(26,462)	(299,464)	(793)
Excess revenue	$ 1,660,353	$ 2,798,975	$ 59,552

	Single Family IV Mortgage Program Funds	Single Family V Mortgage Program Funds	Single Family VI Mortgage Program Funds
Total assets	$ 25,790,728	$ 25,799,721	$ 25,252,497
Total liabilities	$ 25,741,431	$ 25,797,066	$ 25,250,637
Total reserved fund balances	49,297	2,655	1,860
	$ 25,790,728	$ 25,799,721	$ 25,252,497
Total revenue	$ 2,308,461	$ 617,337	$ 22,865
Total expense	2,350,200	614,682	21,005
Excess revenue (expense) before extraordinary item	(41,739)	2,655	1,860
Extraordinary item	-	-	-
Excess revenue (expense)	$ (41,739)	$ 2,655	$ 1,860

16. CONTINGENT ARBITRAGE REBATE TAX LIABILITY

The Board has set up a contingent liability for estimated arbitrage payments to the Treasury Department in accordance with the Internal Revenue Code. The amount of the rebate in general

16. CONTINGENT ARBITRAGE REBATE TAX LIABILITY (Continued)

terms is the difference between the actual interest earned on investments and "allowable" interest as defined by Treasury Department Regulations. The contingent liability set up by the Board is associated with Single Family IV Program Funds. The Board estimates a future contingent liability for rebate associated with Single Family Program Funds III, V and VI will occur and will set up such future contingent liability as the amount is determinable. Ninety percent of the estimated rebate will be paid the United States Treasury within 60 days at the end of every fifth bond year until the bonds are retired, at which time 100% of the remaining rebate amount is due.

17. CHANGE IN FINANCIAL STATEMENT PRESENTATION

The extraordinary item in the 1989 memorandum only total column for the combined statements of changes in financial position has been reclassified to amortization of bond premiums, discounts, issuance cost, mortgage discounts and commitment fees - net, for comparative purposes only.

200 copies of this public document were published at an estimated cost of $2.90 per copy, for a total cost of $580.00 which includes $580.00 for printing and $.00 for distribution.